
STATE OF COLORADO

HIGHER EDUCATION
ACCOUNTING STANDARDS

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Standard # 7

Page 1 of 3

Approved By: Arthur Bernhart Date 2/11/02

TITLE: CASH, CASH EQUIVALENTS AND INVESTMENTS

I. STATEMENT OF NET ASSETS CAPTION - "CASH AND CASH EQUIVALENTS"

Accounting Standard No. 17, "Financial Statement Presentation," shows the appropriate caption on the Statement of Net Assets as "Cash and Cash Equivalents" or "Restricted Cash and Cash Equivalents."

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in checking accounts, cash with State Treasurer, savings accounts, certificates of deposit (disregarding maturity date) and other types of demand deposits with financial institutions.¹ Cash and cash equivalents may also include short-term, highly liquid investments. In general, only investments with original maturities of three months or less meet this criteria.² Cash and cash equivalents should be segregated between unrestricted and restricted cash and cash equivalents, as described in Section III below. The total reported as "cash and cash equivalents", both unrestricted and restricted, on the Statement of Net Assets should be readily traceable to the amount shown as "cash and cash equivalents" on the Statement of Cash Flows.³

An overdraft in one bank account should be properly offset by a balance in another bank account within the same financial institution if the bank, such as a part of a minimum balance requirement, does not legally restrict the balance available to offset the overdraft. Any bank overdraft that cannot be legally offset, as above, within the same financial institution should be included as a liability to the bank on the Statement of Net Assets. This presentation is also applicable to balances in Cash with State Treasurer accounts.

GASB Statement No. 31 applies to the Cash with State Treasurer balances. Unrealized gains/losses on the State Treasurer's pooled cash investments are to be recorded for financial statement presentation. For statewide reporting, the entries related to these gains/losses are to be made as a post-closing entry.

¹ *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, Governmental Accounting Standards Board Statement No. 9, Norwalk, CT, September, 1989, footnote 5.

² *Ibid*, paragraph 9.

³ *Ibid*, paragraph 8.

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Standard # 7
Page 2 of 3

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II. STATEMENT OF NET ASSETS CAPTIONS - "SHORT-TERM OR LONG-TERM INVESTMENTS"

Accounting Standard No. 17, "Financial Statement Presentation," shows the appropriate captions on the Statement of Net Assets as "Short-term or Long-term Investments."

Investments

Investments may be either equity or non-equity investments. Examples could be bank acceptances, commercial paper, corporate bonds, corporate securities, repurchase agreements, reverse repurchase agreements, mutual funds, asset backed securities, mortgages or U. S. Government securities.

GASB Statement No. 31 requires investments to be reported at fair value in the Statement of Net Assets. Refer to the Statement for the few exceptions to this requirement. All investment income, including changes in the fair value of investments, should be recognized as revenue in the Statement of Revenues, Expenses and Changes in Net Assets. Unrealized gains/losses are to be recorded for financial statement presentation. For statewide reporting, the entries related to these gains/losses are to be made as a post-closing entry.

Investments should be classified on the Statement of Net Assets as short-term, long-term, or restricted investments. Short-term investments include all unrestricted investments maturing within one year. Long-term investments include all unrestricted investments maturing after one year and investments that are included in investment pools intended for long-term purposes and use. Restricted investments are described in Section III below.

III. STATEMENT OF NET ASSETS CAPTION - RESTRICTED CASH AND CASH EQUIVALENTS AND RESTRICTED INVESTMENTS

Accounting Standard No. 17, "Financial Statement Presentation," shows the appropriate captions on the Statement of Net Assets as "Restricted Cash and Cash Equivalents" and "Restricted Investments."

GASB STATEMENT NO. 34 requires that assets be reported as restricted "when restrictions (as defined in paragraph 34) on asset use change the nature or normal understanding of the availability of the asset."⁴ Examples include cash and cash equivalents and/or investments of endowment funds and/or those restricted by bond covenants to pay noncurrent debt service. In general, restricted cash and cash equivalents and restricted investments are those that cannot be used to pay current liabilities and therefore should be reported as noncurrent assets on the Statement of Net Assets. The following provide authoritative guidance in this area:

⁴ *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, Governmental Accounting Standards Board Statement No. 34, Norwalk, CT, June, 1999, paragraph 99, pg. 34.*

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Standard # 7
Page 3 of 3

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GASB 34, paragraph 99
GASB 34 Implementation Guide, questions 82 and 209
ARB 43, chapter 3A, paragraph 6
NACUBO's GASB 35 Implementation Guide, question 20

FOOTNOTE DISCLOSURE REQUIREMENTS

Refer to Accounting Standard No. 13 for additional information on specific note disclosures and references.